



Construction:

*Nearly 11,000 construction
with possibly another 11,000*

Utah's recent construction boom began in 2003. The combination of rapidly falling mortgage rates and surging Utah household formations set off a house-building boom that lasted into 2007, when the subprime debacle brought the boom to an end. The year prior to the boom's inception—2002—Utah approved the construction of 19,500 new homes. At that time, the state's

total construction employment stood at 68,300. Housing permits thereafter rose and peaked in 2005 at 28,300 and 26,300 in 2006. In addition, nonresidential construction started its own boom in 2005. The end result is that by 2007, these combined booms raised construction employment in Utah to 103,500—35,200 jobs higher than in pre-boom 2002.

It took a high degree of both residential and nonresidential activity to raise construction employment that high. With the bottom now falling out of new home permitting—projected to be only 13,000 homes in 2008—where is the impetus to keep construction workers employed? If it took around 26,000 new homes for several years and much nonresidential construction activity to support the addition of

DID YOU KNOW?

- After two years of strong growth, Salt Lake County's commercial real estate market has been struck by the impact of the sputtering economy.
<http://deseretnews.com/article/1,5143,700240032,00.html>
- The number of Utah homeowners who received a foreclosure filing in June jumped nearly 141 percent.
<http://deseretnews.com/article/1,5143,700241966,00.html>
- A geothermal power plant is coming to Iron County.
http://www.sltrib.com/news/ci_9897540

Boom to Bust

*workers have lost jobs,
shed over the next year.*

35,000 more construction workers in the Utah economy, how many workers have to be taken out of the equation to support the building of only 13,000 new homes? Up to this point, nearly 11,000 workers have been removed, but the probable continued lack of housing activity suggests that another 11,000 may yet be shed over the next year.

The prospects of the housing market rebounding next year are currently not that good. The demographics are there, as that surge of Utah household formations continues, but the economic factors needed to facilitate the housing growth to match the formations are currently negative, and probably not looking positive until 2010 at the earliest. Those negative factors are high

housing prices needing to fall back to match the now higher mortgage lending requirements and costs, and the entire economy adjusting to higher energy costs and subsequent higher inflation costs. ⓘ